



## Triveni Engineering & Industries Limited

### Q1 FY 16 Earnings Conference Call Transcript

### August 17, 2015

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<b>Moderator</b>	Good day ladies and gentlemen and welcome to the Q1 FY 16 Earnings Conference Call for Triveni Engineering & Industries Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rabindra Basu from CDR India. Thank you and over to you Mr. Basu.
<b>Rabindra Basu</b>	Thank you and good afternoon everyone and a warm welcome to all of you participating on Triveni Engineering & Industries Limited Q1 FY 16 Earnings Call. We have with us today on the call Mr. Dhruv M. Sawhney – Chairman & Managing Director, Mr. Tarun Sawhney – Vice Chairman & Managing Director, Mr. Suresh Taneja – Group CFO, Mr. Sameer Sinha – President and other members of the senior management team. Before we begin I would like to mention that some statements made in today's discussion may be forward-looking in nature and a statement to this effect has been included in the invite which was emailed to you earlier. I would also like to emphasize that while this call is opened to all invitees, it may not be broadcasted or reproduced in any form or manner. We would like to start this call with the opening remarks from the management followed by an interactive Q&A session wherein you can discuss views and key issues. I now invite Mr. Dhruv M. Sawhney on the call. Over to you sir.
<b>Dhruv M. Sawhney</b>	Thank you very much. Welcome everybody to the Q1 FY 16 Investor Call. We have a fairly large opening statement for you and we are going to split this into three. I will give some overall remarks. Our Vice Chairman & Managing Director will then can take up a little more detail on the sugar scenario in the past and in the next few months and something on the Engineering businesses and our Group CFO, Mr. Taneja will give you some more details of the restructuring proposal which is being submitted to SEBI.  You have the figures for the first quarter with you. So I am not going to go and repeat it. They are not very heartening figures and they are mainly being influenced by write down of inventory of ₹ 78 crore. That is because of the sugar pricing that was present at the time of our limited audit and the pricing since the end of the first quarter, to-date is still some ₹ 150 lower than what it was in Q1. Today's price is about the same as Q1 but cumulatively the prices have not caught up and as you know they dropped very steeply in the end of June and July. So we have seen a decline of over ₹ 800-900 per quintal since the beginning of the 2014-2015 sugar season and this has affected the realisation and the gap between cost of production and sugar price and it has affected profitability and cash flow; it has resulted in payments being overdue to the farmers, and put a general stress on the functioning of the sugar units currently and also preparing for the next year. We estimate the sugar production in the current year to be around 28.2 million tonnes,

if not slightly higher, and this would lead to a substantial inventory in the country putting pressure on sugar prices, due to having inventory of over 10 million tonnes. The sugarcane arrears are around ₹15,000 crore which is very substantial and this is difficult to see how it will be liquidated before the next season and this would be covered in a little more detail in a few minutes by Tarun Sawhney. But the next season is going to be dependent on policies as also on the monsoon which has not been bad. Planting has been quite alright and our cane development efforts have been very good. So we have had a substantial change in high sucrose recovery of varieties which will give a much better recovery for the next year. But that is all very conditional on sugar policy and the linkage between sugar prices and cane prices. I do not have to say more but I am sure you all have been reading in the newspapers this issue which is what is happening in every other country of the world.

Basically India has probably one of the highest, cane prices in the world and it has a second lowest domestic sugar price, it is only 10% more than Brazil and the Brazilian cane cost is somewhere around 40%-50% less than ours plus they make over 50%-53%-55% ethanol. In Pakistan, domestic price is about 50%-60% higher. In China, domestic price is double and this is the issue. Most of our sugar is consumed by the bulk consumers. So we cannot understand this subsidy that is being given through the bulk consumers when cane farmers are not able to be paid and have large outstanding up to ₹15,000 crore. The unusual situation today which shows that the dire condition of the sugar economy is that even in FRP paying state such as Maharashtra and Karnataka, have not been able to clear the cane prices because of the drop in sugar price and their cost of production being much higher. These are a large number of factories - cooperatives which is owned by the farmers. So we are seeing the situation today and Mr. Tarun Sawhney will talk a little bit more on it. There has been a joint representation from the Cooperative Federation and the Sugar Mills Association pointing out this situation which I have just covered. So it is not just in the state of UP, it is now all over India.

The response of the Central Government in giving soft loans, some of which is being disbursed but not all and we still expect to get ours shortly. This will alleviate the cane price to some extent but certainly it is not going to liquidate the cane price and the export which the government is talking about will take some time once we put into effect. It will certainly be after the start of the next season. The mechanics have not been put out and the effects are well into the sugar season 2015-2016. So we really need a onetime debt restructuring proposal to restore the financial health of the industry.

In our Engineering businesses, the domestic situation has been quite slow and this has had an effect on both the Gears business and the Water business. Our Water business has picked up now and expects to get a substantial number of new orders in the next 3 months and we have already got some orders in the last few months that will be covered in a few minutes.

As far as the Gears business is concerned, we are catching up our momentum in our supply chain agreement with GE Lufkin but this takes time to fructify and reach an appreciable size. The Gears unit is doing a much better than it was last year and there is an outstanding order book in the Engineering businesses of ₹ 693 crore which is a year-on-year growth of some 30%. So I think that encapsulates while the past has been conditioned by the slow response of the economy picking up, the order on hand gives a much better picture for the future. The company has started its restructuring and presented its proposal and as I mentioned earlier that will be covered in a few minutes. I would like Mr. Tarun Sawhney to fill it in about the sugar and Engineering businesses.

**Tarun Sawhney**

Thank you. As the chairman mentioned, for 2014-2015, we have approximately ₹14,500-15,000 crore of cane price outstanding across the country. We have witnessed a scenario where even FRP states such as Maharashtra and Karnataka have not been able to clear the FRP and have substantial outstanding. They have put forward petitions to their own state governments and to the central government in terms of receiving help to clear the cane price. It is very challenging for these arrears to be completed before not just the start of the next season but well into the next season which is 2015-2016. There has been a sudden increase of sugar price over the last few weeks and this will require more momentum but that momentum could only be gained by significant policy changes and policy initiatives on behalf of the central government and also with some of the state governments pitching in and I will come with that in just a few minutes.

As far as the next year is concerned, we forecast very similar numbers that ISMA has also given of about 28-28.5 million tonnes production for 2015-2016. This is predicated on a very good monsoon, limited disease, and an appreciable cane area which is marginally down year-on-year, however the yields that we are anticipating are higher and very initial estimates of satellite mapping indicating that we will have about the same production levels as we had last year. As per the estimates, we will start the sugar season on October 1, 2015 at 10-10.5 million tonnes as opening balance and we will add after taking into account the consumption up to 4 million tonnes of extra production thereby taking a closing balance to about 14 million tonnes. This means that we need to find a home for approximately 5-6 million tonnes of sugar and which should be in our stocks. This is between now and 30<sup>th</sup> of September of next year.

To look at homes for this amount one has to look at government policy, there has been considerable talk about some barter arrangements etc., but I would like to cover some of the other initiatives in greater detail. In addition, there has been some movement from the state government. I am happy to report that as far as the state government of Uttar Pradesh is concerned we are moving towards a potential release of at least ₹ 20 subsidy and none of this is certain, lot of it is based on certain meetings that have occurred but one has seen a positive response. Hopefully over the next few weeks before the next court date which is the court case of SAP in Uttar Pradesh on the 27<sup>th</sup> of this month, we may have better news on that front.

Having said that, it is not merely enough to take into account the cane price outstanding for the sugar millers in Uttar Pradesh. As far as the central government is concerned, the Prime Minister is personally overseeing the Sugar sector. There have been ample reports with the print and live news media and this is very encouraging. The two schemes that are afoot is a ₹ 6,000 crore excise loan and in our opinion, this total quantum of loan where there is a 10% interest subvention and the period is for one year is not enough. The one year term is certainly not enough and the 10% is not enough. The conditions that have been put forth by the bankers have made it quite tough for the bulk of the industry to be able to avail of this loan.

The second point is that the tenure of the loan being one year is again another challenge. So we think that there will be many challenges in the disbursal of the ₹ 6,000 crore and it is very difficult for more than 50% of this to be availed of by the industry in the time period that has been announced and extended more recently. The second is the export incentives that were given previously and out of the total quantum of 4 million tonnes that was envisaged at ₹ 4,000 per metric tonnes that was given, only approximately 300,000 tonnes so far have been exported. That number will not be increasing any time soon especially since prices have increased domestically and that parity no longer exists in today's market. Therefore, we need a completely new policy, a completely new change to find an export of at least 4-5

million tonnes for next year and part of this could be through barter arrangements, and part of this will have to be through some form of subsidy or intervention by the central government. There are plans and discussions that have taken place and I think over the next few weeks onwards we will find that there will be some encouraging news, however this is the bare minimum. In our opinion, it does not necessarily mean that we will have any staggering increase in sugar prices going forward and that is simply because we have that amount of excess sugar within the country.

The ethanol blending program is certainly one of the future initiatives and most important initiatives to assist the sugar industry. We believe that over the next 2 weeks, the oil marketing companies will be announcing a fresh tender starting up after November for the E10 blending program which is one of the key initiatives that our Prime Minister has been supporting and we believe that the country has sufficient capacity to meet the E10 program and provide alcohol to the potable industry and the chemical industry. So it is misnomer that there will be a sacrifice for any other industry. There have been discussion at the Ministry of Petroleum level as well as the Ministry of Food level where the status has been examined and scrutinized, however for this program to be totally successful, it requires some issues of intrastate movement of alcohol to be ironed out to ensure that any dark deep holes for the oil marketing companies do not remain dark in the next tender.

Looking at ethanol as a panacea for the overproduction in the sugar sector is an initiative that has been supported by the Prime Minister and it involves the diversion of B-molasses which is an intermediate state of molasses towards the distillery. Now for this to happen, it certainly would not impact the 2015-2016 sugar balance in the country. It could certainly be most beneficial for future years and approximately 2 million tonnes can be taken out from the sugar stream and put it to the alcohol stream provided that there is incremental capital expenditure in terms of distillery expansion and setting up a greenfield project in the future.

A debt restructuring proposal has been put forward as well and this is looking at a various aspect for the entire industry. The total debt of the industry stand at ₹ 36,000 crore for the private sector and an additional ₹15,000 crore for the government and cooperative mills and total sum that can certainly be looked at by the Ministry of Finance.

With respect to the sugar price for next year, the anticipated FRP for the following year for 2016-2017 is expected within the next 4-8 weeks and I think that will also give a very important sign and play the parameter for what central government policy is expected over the next few weeks and months.

Turning now to the Engineering business, as far as our Gears business is concerned, we had a double digit growth year on year, quarter-on-quarter and our order booking is also up in terms of double digits. I think from an overall perspective, the Gears business is poised for substantial growth this year. We have seen new markets come to the front. We have seen more enquiries and more order finalization that is happening not just in India but also regionally and so the growth balance, as a matter of fact is more towards South East Asia but even India were finding Indian customers place new orders and finalize more orders and we will see that converting into revenues over the next few quarters.

As far as the Water business is concerned, there are several critical tenders that we had participated in, which had fructified into new orders as the Chairman had mentioned previously and several substantial tenders are still under way and we anticipate that as far as this sector is concerned it has certainly turned the tide. In previous quarters when we have spoken to you, we have always mentioned about

muted demand within the municipal sector and the engineering sector especially domestically and I think we can fairly say that we have turned the tide and how quickly tide turned is still yet to be determined but we are seeing a lot more activity certainly at the municipal level and at the state government level which is helping and assisting and promoting our Water business and more importantly we are seeing it in a more beneficial position because a large number of our critical project have now been fully executed and thereby allowing us to be able to pitch for many more jobs within the municipal sector. This is a very important point that will allow us to actually expand the total number of projects that we could qualify for fairly significantly. With that, I would like to turn over this introduction to our CFO Mr. Suresh Taneja who will brief you on the proposed restructuring for the company.

**Suresh Taneja**

Thank you Tarun. Good afternoon to all of you. As you are all aware that the Board of Directors of the company in the meeting held on 28<sup>th</sup> July, they had approved a composite scheme of arrangement. In essence, the objective of the scheme of arrangement was to separate Sugar business and Engineering business so that they can pursue their own growth plans and similarly in the process they would certainly be unlocking the shareholders' value. Now to tell you a little bit about the mechanics, with effect from the appointed date from 1<sup>st</sup> of July 2015, five sugar units of the company will be transferred to our 99.99% subsidiary known as Triveni Sugar Limited (TSL) and this transfer would happen by way of a business transfer and in consideration of the business transfer, TSL would issue shares to TEIL, the existing company. Then with effect from the appointed date, from 1<sup>st</sup> of November 2015, there would be a demerger of the balance 2 sugar units along with cogeneration facilities and distillery into a company called Triveni Industries Limited (TIL) along with the shares and investment in TSL. So in effect, with respect to the Sugar business, we will have a vertical structure the holding company being Triveni Industries Limited, TIL and whereas the subsidiary would be Triveni Sugar Limited, TSL and then it is proposed that TIL will get listed on the stock exchange NSE and BSE. Now in consideration of the demerger into TIL, TIL will issue shares to the shareholders of TEIL in the ratio 1:1. For each share held in TIL, the existing company TEIL will issue one fully paid up equity shares to the shareholders so then there percentage remains intact and the shareholding in TIL would be a mirror shareholding of TEIL. So I think the whole planning of this scheme has been done in such a manner so that there is an equitable allocation of loans between the 3 companies based up on their serviceability potential and the existing company would only comprise of engineering business which is mainly Gears business and Water business. So these are the salient points of the restructuring plan which we have intimated to the stock exchange.

**Moderator**

Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Arun Malhotra from Santalum Capital. Please go ahead.

**Arun Malhotra**

I just wanted to ask first on the demerger part. Why we have created a step down subsidiary for sugar thereby we are transferring 5 companies, why not putting on all of 7 companies in one single company and getting adjusted? What is the rationale behind it?

**Suresh Taneja**

If you look at the total structure of the Sugar business as of now, the holding company is a 100% integrated company and the subsidiary company has got 2 sugar units which are high recovery sugar unit as of now. So one, we wanted to split the Sugar business so that proper focus could be made for each cluster separately and we thought that in terms of close monitoring of the sugar unit, etc., I think we will be able to manage the Sugar business much more efficiently and effectively and secondly this would also help in terms of split of the loans over the 2 companies based upon their serviceability potential.

- Arun Malhotra** So how much of the loans out of ₹1,240 crore or whatever odd amount would be transferred to the sugar and how much would be to the Engineering division?
- Suresh Taneja** I think let us not take the working capital loans because the working capital loans would continue to be there with these companies based upon their working capital requirements and sugar inventories. So if you are basically looking at the term loan, we propose to transfer only ₹150 crore of loans to Triveni Sugar Limited by way of business transfer and approximately 50% of those loans are under interest subvention. So there is no finance cost associated with those loans. So this is the kind of a structure which we have done and with barely ₹ 75 crore of interest bearing loan, we feel that there would not be any problem in terms of servicing these loans.
- Arun Malhotra** So Engineering Business would take the rest of the loan or?
- Suresh Taneja** No, then in the time of demerger it is going to be a tax neutral demerger. So the loans would be split between the Gears Company and TIL in the ratio of their assets which is governed by income tax provisions.
- Arun Malhotra** Also we have mentioned in our document that we may look for a strategic partner in one of the businesses. Are we actively looking for a strategic partner in this business? Is this the reason given as part of the rationale for the demerger?
- Tarun Sawhney** For all of our businesses within the engineering space we are actively pursuing various partnerships over the last few quarters, we have signed an important agreement with one of our suppliers and like that we are continuously looking. So yes, that is one of the reasons.
- Arun Malhotra** Coming to the businesses, first to the most lucrative part being Engineering division, the Water business we have a OEM order book of around ₹ 230 crore or to some ₹ 200 odd crore, is that a recurring revenue that could be accruing every year or is that a high margin, should we assume a 50% margin on that kind of a business?
- Tarun Sawhney** We do not disclose the margin but yes, it is a higher margin business and these are O&M contracts usually for a period of 10 years which is given out by municipalities. So it depends on when the contract started, so with most of these contracts if you are tracking our performance on the year on year basis we have got many years to go.
- Arun Malhotra** Sure and the rest of the ₹ 600 crore order book, what would be the timeline for those orders to be executed?
- Tarun Sawhney** The timeline for those orders to be executed depends if it is an engineering space, the order booking is for a period of approximately 6 months and that is the Gears business and if it is the Water business, the execution time period is about 2 years.
- Arun Malhotra** Alright and in terms of the Gears order book, what would be the breakup between exports and domestic?
- Tarun Sawhney** We have not really given out that split and we do not have that number with us at this point in time but of the top of one's mind it would be about 25%-30%.
- Arun Malhotra** Exports 25%-30%?
- Tarun Sawhney** Approximately 25%-30% exports.

- Arun Malhotra** So would that ratio change once we have more Lufkin GE Oil & Gas orders in future.
- Tarun Sawhney** Yes, of course it would.
- Arun Malhotra** Coming to the Sugar business, inventory cost as on June and as on March, what was the carrying cost in our books?
- Suresh Taneja** I think roughly the carrying cost is about 10.5% for the total loans which we have taken.
- Arun Malhotra** No, inventory carrying cost I am asking?
- Suresh Taneja** Roughly speaking inventory carrying cost would be in the region of about 11.5%.
- Arun Malhotra** The efficiency of our Sugar division if we compare it with our peers like Balrampur, all compares to be much lower than what others are showing. So what is the reason for lower efficiency in the Sugar division?
- Tarun Sawhney** This is really a regional question that you have asked. So yes, they are peers because they happen to be in the same state but the economics are very different. The majority of our mills in Western Uttar Pradesh which have had poorer recoveries and several other issues that had led to this higher cost of production.
- Dhruv M. Sawhney** But our cane development program in the current year has addressed it and we have had a very good response from the farmers in terms of the varietal change and also the weather patterns are very different from West UP to East UP. So that has also affected us in the last year but we are expecting a substantial change in the recoveries of the West UP units which will bring us more in line with the other sugar companies in UP.
- Arun Malhotra** In case of distillery where our margins are lowest as compared to peers, what would be the reason there?
- Suresh Taneja** One of the reasons could be the transfer pricing of molasses, we always do market related transfer pricing.
- Arun Malhotra** But then the Sugar division is also showing the lowest efficiency or lowest margin. So if we compare it to peers, so is that story will not hold true?
- Dhruv M. Sawhney** So that is the question of the regional effect. That is why I mentioned that we expected substantial difference this year in our large West UP factories in terms of recovery. The cost of production and efficiency is governed by that. Secondly in Western UP, the cane areas are much more spread out than they are in East UP. So there is a little extra cost in East UP on transport of cane.
- Moderator** Thank you. The next question is from the line of TD Gupta who is an investor. Please go ahead.
- TD Gupta** Actually I am very happy to know that Mr. Dhruv M. Sawhney is on the dais today. I remember my days of 15 years back when we used to meet in the AGM of the company. So I am very happy today. Sir my first question is that our inventory of stock, this inventory of sugar as on 31<sup>st</sup> March and 30<sup>th</sup> June, we see the quantity and value of that.

- Tarun Sawhney** The quantities are given in the investor briefs.
- TD Gupta** I am talking about the inventory of sugar, the quantity, and value of that?
- Suresh Taneja** First of all I will give you the quantitative details as of 30<sup>th</sup> of June 2015, we have 29.42 lac quintals in stock as against 39.91 lac quintals as on 31<sup>st</sup> March 2015. Value we do not have as of now, perhaps we can give you offline.
- TD Gupta** Second out of the ₹ 6,000 crore, this interest-free loan how our company will get after that?
- Tarun Sawhney** We have applied, our total amount will be approximately ₹ 100 crore.
- TD Gupta** Around ₹ 100 crore you will get out of that?
- Dhruv M. Sawhney** Yes.
- TD Gupta** What is the amount of our cane arrears as on date?
- Suresh Taneja** I think roughly in the region of about ₹ 300 crore after taking consideration all subsidies etc.
- TD Gupta** That means we are getting ₹ 100 crore against the arrear of ₹ 300 crore.
- Tarun Sawhney** That is correct, yes.
- TD Gupta** I think that question is already asked by my friend that actually our realisation is better than our other peers but our profitability is down that you have replied to that but it is continuously like this sir?
- Tarun Sawhney** I think your observation is noted. I think the Chairman has responded on that question already.
- TD Gupta** Correct I agree. Regarding Gears, as you have already told that out of this, our total sale for June quarter ₹ 14.1 crore, can we quantify this, what is export and domestic sale after this month?
- Tarun Sawhney** No we do not divide that. We have never divided this in the past either.
- TD Gupta** Out of this total orders in hand as on date we are having ₹ 60.8 crore that also can you quantify what is export and how much domestic for that?
- Tarun Sawhney** No we do not give out that information either.
- TD Gupta** But as on date how much orders we are having in hand in Gears?
- Tarun Sawhney** It is given in the Investor Brief.
- TD Gupta** As on date is not given. So it is given ₹ 62.8 crore as on 30<sup>th</sup> of June.
- Tarun Sawhney** I am sorry. This is the quarter-ending conference call. So we cannot give information for 6 weeks.

<b>TD Gupta</b>	As on date it is not possible to give. One thing can you tell out of these orders which you are having in hand ₹ 60.8 crore, how many orders pertain to this agreement that is strategic supply agreement with GE?
<b>Tarun Sawhney</b>	That is confidential information, that cannot be given out in this call.
<b>TD Gupta</b>	One thing under water, if we had issued municipal order of ₹ 212 crore received recently, what is the execution period for that?
<b>Dhruv M. Sawhney</b>	About 24-28 months.
<b>TD Gupta</b>	Are we capable to provide all the services for Ganga Clean Water Project, this project is going on?
<b>Tarun Sawhney</b>	Yes, it depends on what type of project it is under the Clean Ganga Mission and yes, we will be able to provide services for this initiative.
<b>Dhruv M. Sawhney</b>	We are participating in all the water treatment and sewage waste water treatment projects for the Ganga Action Program.
<b>TD Gupta</b>	So we are able to provide all the services for that.
<b>Dhruv M. Sawhney</b>	In fact we have one of the best technologies from Israel of MBBR for this in India today.
<b>TD Gupta</b>	Can we quantify the amount for which we already have tender, are we participating in the tender overall?
<b>Tarun Sawhney</b>	No, I am sorry. That is competitive information. We cannot give that out.
<b>TD Gupta</b>	On the scheme of arrangement as my friend has already asked you that we are having planning for this strategic partner, financial partner, and technical partner, we are already having. So when it is going to happen?
<b>Dhruv M. Sawhney</b>	We will come to you when the board will clear it and we will let this stock exchange know.
<b>TD Gupta</b>	One thing one last question, when we will be achieving the ₹1,000 crore mark turnover?
<b>Tarun Sawhney</b>	We have already crossed the ₹ 1,000 crore turnover.
<b>TD Gupta</b>	No, I am talking engineering sir. I am under engineering.
<b>Tarun Sawhney</b>	Again we do not give forward-looking information but thank you.
<b>Moderator</b>	Thank you. Next question is from the line of Bimal Sampat from Suniti Enterprises. Please go ahead.
<b>Bimal Sampat</b>	Just 2 questions. One is regarding your long-term debt, total I think is around ₹ 500 crore? What is the total long-term debt?
<b>Suresh Taneja</b>	₹ 485 crore.

<b>Bimal Sampat</b>	So out of ₹ 150 will go to Triveni Sugars?
<b>Suresh Taneja</b>	Yes.
<b>Bimal Sampat</b>	The balance can you just give a break up or an idea how much will go to industries and how much to TEIL?
<b>Tarun Sawhney</b>	Very difficult to quantify as of now.
<b>Suresh Taneja:</b>	Because that would depend on the position prevailing as of 31 <sup>st</sup> of October.
<b>Bimal Sampat</b>	Depending assets on 31 <sup>st</sup> of October?
<b>Suresh Taneja</b>	No, that is a future thing, there is no point talking about that today.
<b>Bimal Sampat</b>	In March what was the position, based on March if you can give a rough estimate?
<b>Suresh Taneja</b>	No, I do not have that figure available with me as of 31 <sup>st</sup> March. Now let me tell you. You cannot really pick up the March figure and apply on 31 <sup>st</sup> October.
<b>Bimal Sampat</b>	So whatever is there on 31 <sup>st</sup> October, the fixed asset, correct?
<b>Suresh Taneja</b>	No, all assets.
<b>Dhruv M. Sawhney</b>	That is why it is not available.
<b>Suresh Taneja</b>	Including your sugar inventories.
<b>Bimal Sampat</b>	Now one more question, our EBITDA is around 28%-30%. So going forward with these long-term contracts will we be able to maintain the EBITDA or we are working on a lower EBITDA with them?
<b>Dhruv M. Sawhney</b>	No as far as water is concerned, in our water projects, because of the volume is increasing, our EBITDA will also increase.
<b>Bimal Sampat</b>	Now about Gears sir.
<b>Tarun Sawhney</b>	The Gear's EBITDA is fairly high and its forecast to remain about the same.
<b>Moderator</b>	Thank you. The next question is from the line of NK Arora who is an investor. Please go ahead.
<b>NK Arora</b>	First question is regarding molasses. As you have said ethanol blending program is the main program of Prime Minister of India. So Maharashtra has totally decontrolled molasses. So any news of decontrol of molasses in UP?
<b>Tarun Sawhney</b>	No I am afraid. No we do not have any news.
<b>NK Arora</b>	Secondly sir in the water division, congratulation for winning a big order of ₹ 212 crore. Is it possible to name the municipality we have got this order?
<b>Dhruv M. Sawhney</b>	At the moment we are keeping that confidential for some time.

- NK Arora** Thirdly in the Gears business, you have mentioned that exports will get a major boost by the major outsourcing drive of OEMs including GE Lufkins and GE Oil & Gas. I wanted to know what are the other potential OEMs which can source Gears from us in future?
- Tarun Sawhney** The other OEMs include a variety of companies within the field of turbo machinery and also within the field of hydro as well as other drive equipment users. So it is a very large spectrum of companies.
- NK Arora** Are we in talks at this point of time with any more companies like them?
- Tarun Sawhney** We are pitching to all these companies.
- Tarun Sawhney** We have orders from a variety of companies in the aforementioned fields.
- Moderator** Thank you. The next question is from the line of Chirag Shah from Valuequest. Please go ahead.
- Chirag Shah** I would like to know in the Gears business, what is the total addressable market for Triveni as a company, means in a particular category?
- Tarun Sawhney** The markets that our Gears business function in are two markets. Actually it is multiple markets. So you have high speed, the marine segment, low speed, and niche low speed each of these four markets is very large both domestically as well as internationally. Broadly speaking the low speed market is about 10 times larger than the high speed market, domestically as well as internationally and in terms of specific numbers and details of how large the market is, you are more than free to call us and we can take this discussion offline.
- Moderator** Thank you. The last question is from the line of J.P. Agarwal from Major Metal Ltd. Please go ahead.
- JP Agarwal:** I just want to know one thing, in the scheme of arrangement, the TEIL has provided a ₹ 100 crore to the Sugar divisions. What is the rationale behind it?
- Dhruv M. Sawhney** It is helping them to get over a very stressed situation which has been prevalent for the last 2 years and leaving a path of clear viability for the future and that is in the interest of all the stakeholders, the investors, the funding community, and the banking community.
- JP Agarwal** Just guide me how it will work actually, whether the company will give the fund to that company or the loan, or it is just part of the long-term loan which would be retained by the company, how it will work actually?
- Dhruv M. Sawhney** Now these are fresh funds.
- JP Agarwal** The Sugar division TSL is going to get fund from the TEIL?
- Dhruv M. Sawhney** Yes.
- Moderator** Thank you. That was the last question. I now hand the conference over to the management for their closing comments.
- Dhruv M. Sawhney** So thank you very much for having joined us. It has been an interesting call covering both highlights of the company in its three businesses; Sugar, Integrated

Sugar, Gears and Water and our restructuring proposal. We look forward to have the call at the end of the next quarter where we should be further along in our restructuring effort and will give you details then. Thank you very much.

**Moderator**

Thank you very much members of the management. Ladies and gentlemen on behalf of Triveni Engineering & Industries that concludes this conference call. Thank you for joining us and you may now disconnect your line.